



CALPERS 97 & 97/3

I. PROGRAM SUMMARY

PROGRAM DESCRIPTION	<p>The CALPERS 97 & 97/3 program provides enhanced affordability and homeownership opportunities to borrowers that meet specified income requirements. The program consists of two options:</p> <ol style="list-style-type: none">1) <u>Option 1</u>: A 97% LTV fixed-rate first loan, originated under the investor's guidelines, or2) <u>Option 2</u>: A 97% LTV fixed-rate first loan, originated under the investor's guidelines, combined with a 3% Mortgage Insurance Services Silent Second Loan Program (SSLP). The proceeds of the silent second can be used for the down payment and/or closing costs. The second loan has a simple interest rate, currently 5%, with a term of 30 years; however, payments on the second loan are deferred for the life of the first loan (see Repayment of Silent Second Loan below). <p>The participating lender draws and funds both the first and second loans; after the loans close and CalPERS purchases the first loan, CalHFA purchases and services the second loan.</p>
TARGET MARKETS	All CalPERS members.
PARTICIPATING LENDERS	All CalPERS approved lenders. Master Servicer: CitiMortgage Corporation
BORROWER ELIGIBILITY	<p>Borrowers must meet the following requirements:</p> <ul style="list-style-type: none">• Be a U.S. citizen or permanent resident alien• Be a member of CalPERS Retirement System• Not own other residential dwellings except a home which they are selling at or prior to the purchase of the subject property• Occupy the property as their primary residence; non-occupant co-borrowers are not allowed
PROPERTY ELIGIBILITY	<p>Properties must meet the following requirements:</p> <ul style="list-style-type: none">• Be a single-family residence (SFR), including approved condo/PUDs• Condo/PUDs must meet investor requirements. CalHFA MI Services reserves the right to limit the number of loans in any project• Manufactured housing may be considered, on a case-by-case basis• CalHFA MI Services will accept Fannie Mae 1028 warranties on new construction projects• CalHFA MI Services can only insure California properties

DOWN PAYMENT REQUIREMENTS	<ul style="list-style-type: none"> • <u>Option 1</u>: 3%; CalPERS personal loan can be used. Gifts may be used for closing costs, after satisfying borrower's down payment requirement • <u>Option 2</u>: 0%
BORROWER MINIMUM CONTRIBUTION	The borrower must have 1% of funds to apply towards the transaction.
TRANSACTION TYPE	Purchase transactions only.
MAXIMUM SALES PRICE	None stated.
MAXIMUM LOAN AMOUNT	First Loan: Up to conforming loan limits Second Loan: 3% of the lesser of the sales price or appraised value of the subject property
INCOME LIMITS	Borrower's income cannot exceed 140% of the HUD median income for the area in which the borrower is purchasing.
MORTGAGE INSURANCE	<p>Mortgage insurance from CalHFA is required for both <i>Option 1</i> and <i>Option 2</i> loans as follows:</p> <p>Coverage: 35% Cost: 86 basis points Due: Monthly</p> <p>The CalHFA silent second loan is not insured.</p>
SELLER CONTRIBUTIONS	Seller contributions are acceptable, up to 3% of the sales price; must be used for non-recurring closing costs only.
BUYDOWNS	Permanent buydowns are allowed; no temporary buydowns.
REPAYMENT OF MORTGAGE INSURANCE SERVICES SILENT SECOND LOAN PROGRAM (SSLP)	<p><u>For Option 2:</u> Payment of principal and interest on the SSLP loan is due and payable when:</p> <ul style="list-style-type: none"> • The first Note and Deed of Trust become due and payable; • The first Note and Deed of Trust loan is paid in full; • The first Note and Deed of Trust is refinanced; • The Property is sold; • Until and in the event of the formal filing and recording of a notice of default, unless rescinded, OR • If the property is no longer occupied as a principal residence by the borrower. <p>Upon the occurrence of any of the above, the entire principal and interest on the loan is due and payable. Prepayment penalties are not permitted.</p> <p>SSLP loans are not assumable.</p>

PURCHASE OF MORTGAGE INSURANCE SERVICES SILENT SECOND LOAN - PROCESS FLOW	Refer to Mortgage Insurance Services Bulletin #02-2002 for loan delivery and purchase information. www.calhfa.ca.gov/insurance/resources/bulletins/02-2002_mis.pdf
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II. UNDERWRITING CRITERIA

MINIMUM FICO SCORE	Borrowers must have a minimum FICO credit score of 620 or greater. Borrowers with no credit score are allowed, if an acceptable non-traditional credit report is developed.
RATIOS	Total debt-to-income ratio cannot exceed 41%.
CASH RESERVES	Borrower is required to have 1 month cash reserve to cover PITI.
HOMEBUYER ED. REQUIREMENT	Certification is required that homebuyer education has been completed.
SUBORDINATE FINANCING/SILENT SECOND LOAN	<u>Option 1:</u> N/A <u>Option 2:</u> Since loan repayment is deferred, the repayment is not included in the qualifying ratios.
INCOME REQUIREMENTS	Refer to investor guidelines.

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. Lenders will need to refer to investor guidelines for specific underwriting and compliance issues. Lenders should be aware that Mortgage Insurance Services' underwriting guidelines are for mortgage insurance only, and not necessarily the same as restrictions imposed by the investor. The more restrictive guidelines apply. This program is subject to change from time to time without prior notice.

02/04